



**DEFENSE LOGISTICS AGENCY**  
**THE DEFENSE CONTRACT MANAGEMENT COMMAND**  
8725 JOHN J. KINGMAN ROAD, SUITE 2533  
FT. BELVOIR, VIRGINIA 22060-6221

JAN 29 1997

IN REPLY  
REFER TO

AQOD

**MEMORANDUM FOR COMMANDERS, DEFENSE CONTRACT MANAGEMENT  
DISTRICTS**

**SUBJECT: DCMC Memorandum No. 97-14, Reviews and Approvals (POLICY)**

This is a policy memorandum. It expires when its content is included in DLAD 5000.4, Contract Management (One Book), not to exceed one year. Target Audience: All DCMC personnel.

Higher level management review of employees' work clearly serves some important purposes, but these reviews cost us. Costlier still are the multiple management reviews that are required for some actions. Recently, each Headquarters Contract Management Policy (AQO) team evaluated the review and approval requirements for the processes under their cognizance with the goal of relaxing, reducing or eliminating those requirements. The recommended changes were then coordinated with the Defense Contract Management Districts. This policy memorandum implements the coordinated recommendations.

The most significant change we are making is the elimination of the Contract Management Boards of Review. There are no longer any requirements for review or approval beyond the local office except when specifically called for in the chapter covering a specific process (e.g., the Contractor Restructuring Associated with a Business Combination chapter, the Voluntary Refunds chapter, etc.).

These changes will be institutionalized in the DLAD 5000.4 as a part of that publication's re-engineering effort now underway (publication planned for March). Until then, the following policies apply;

a. Review by the cognizant Contract Administration Office (CAO) Group Leader will take the place of a Board of Review for the actions identified in DLAD V-11, B.4. The thresholds specified therein apply except as revised in attachment 1. CAOs, however, may request advice and review from their District staff whenever appropriate.

b. By eliminating the Contract Management Board of Review chapter, we've also removed administrative and procedural requirements that were burdening the review and approval process. While CAOs may develop internal procedures for

forwarding actions for reviews and approvals, they need to ensure that the procedures' focus remains on the actions being reviewed.

c. All review and approval requirements (including thresholds, conditions, etc.), contained in the chapter governing the specific process remain in effect unless modified in attachment 1.

(1) The sole exception is that the new coverage developed for negotiation memoranda (attachment 2) is effective immediately. (CAOs should consider use of the concurrent review and approval approach discussed therein: The concept may be applied to any process.)

(2) CAOs may not relax the requirements contained in DLAD 5000.4 (e.g., increase dollar thresholds) absent express approval from Headquarters. CAOs, however, may impose more stringent requirements as necessary (e.g., new employee, significant contractor estimating system deficiencies).

Overall questions about this memorandum may be directed to Mr. David Ricci, Contractor Capability and Proposal Analysis Team at (703) 767-3376, DSN 427-3376 or E-mail: dave\_ricci@hq.dla.mil. Questions concerning a particular process, however, should be directed to the respective Process Owner identified in attachment 1.



ROBERT W. DREWES  
Major General, USAF  
Commander

#### Attachments

1. Synopsis of Changes
2. Revised Coverage for Negotiation Memoranda

## Synopsis of Changes to DCMC Review and Approval Requirements

### Contract Management Boards of Review

- Review by the cognizant Contract Administration Office (CAO) Group Leader will take the place of a Board of Review for all of the actions identified in DLAD V-11, B.4 (regardless of whether the thresholds have been changed in table below).
- The thresholds specified in DLAD V-11, B.4 are revised as shown in the table below. The thresholds for actions not addressed below (such as progress payment reductions and terminations for convenience settlements) remain the same but now require only review by the cognizant CAO Group Leader not a "Board of Review."

Action	Chapter Cite	Changes	POC
Contractor Purchasing System Review	V-11, B.4.a.	Board of Review requirement eliminated; only a first-line supervisory review and approval now required.	Ron O'Daniel AQOG (703) 767-3365
Cost Accounting Standards <ul style="list-style-type: none"> <li>Settlement of Non-compliances</li> <li>Contract Price Adjustments for Voluntary Accounting Changes</li> <li>Equitable Adjustments for New Standards or Desirable Changes</li> </ul>	V-11, B.4.b.(1) V-11, B.4.b.(2)	Requirement replaced by the new coverage for negotiation memoranda (attached). Where the ACO's course of action is not consistent with audit recommendations, the level of review will be based on the value of the questioned costs identified in the audit report. If the audit report is not specific, the ACO will consult with the auditor to determine the potential value of the audit report.	Tricia Kobus, AQOC (703) 767-3401
Contract Modifications	V-11, B.4.d.(1)	Requirement replaced by the new coverage for negotiation memoranda (attached).	David Ricci, AQOD (703) 767-3376
Over and Above Work Requests	V-11, B.4.d.(2)	Requirement replaced by the new coverage for negotiation memoranda (attached).	David Ricci, AQOD (703) 767-3376
Delivery Orders	V-11, B.4.d.(3)	Requirement replaced by the new coverage for negotiation memoranda (attached).	David Ricci, AQOD (703) 767-3376

Forward Pricing Rate Agreements	V-11, B.4.d.(5)	Requirement replaced by the new coverage for negotiation memoranda (attached). Level of review will be based on potential participation by the Government in the rates.	Myla Edwards, DCMC-OHC (703) 767-3387
Forward Pricing Rate Recommendations	V-11, B.4.d.(6)	Requirement replaced by the new coverage for negotiation memoranda (attached). Level of review will be based on potential participation by the Government in the rates through contract negotiation.	Myla Edwards, DCMC-OHC 703) 767-3387
Resolution of Contractors' Appeal of Disapproved Costs	V-11, B.4.d.(7)	Requirement replaced by the new coverage for negotiation memoranda (attached). Where the ACO's course of action is not consistent with audit recommendations, the level of review will be based on the value of the questioned costs identified in the audit report. If the audit report is not specific, the ACO will consult with the auditor to determine the potential value of the audit report.	David Guinasso, AQOC (703) 767-3382
Final Overhead Rate Negotiations	V-11, B.4.d.(9)	Requirement replaced by the new coverage for negotiation memoranda (attached). Level of review will be based on the Government participation in the questioned costs identified in the audit report. For corporate final overhead rates, DCEs may approve negotiation memoranda where the questioned costs identified in the audit report do not exceed \$10,000,000.	Glen Gulden, DCMC-OHC (703) 767-3406
Plant Clearance: Determinations to downgrade usable/ serviceable property to scrap or salvage	V-11, B.4.e.(1)	Threshold increased from \$200,000 to \$500,000.	Janice Hawk, AQOE (703) 767-3433
Plant Clearance: Determinations to abandon or destroy property	V-11, B.4.e.(3)	Threshold (original acquisition cost) increased from \$200,000 to \$500,000.	Janice Hawk, AQOE (703) 767-3433
Negotiation memoranda	V-5, C.4.	Thresholds increased and process streamlined. NEW COVERAGE-- ATTACHMENT 2	David Ricci, AQOD (703) 767-3376

## **Revised Coverage for Negotiation Memoranda**

### **PART V, CHAPTER 5: PRICE NEGOTIATIONS**

\* \* \* \* \*

#### **C. PROCESS NARRATIVE**

\* \* \* \* \*

##### **4. RECEIVE APPROVAL OF PRENEGOTIATION OBJECTIVES**

a. The review and approval of prenegotiation objectives (and price negotiation memoranda) serves as an important internal management control by helping to assure fair and reasonable prices and compliance with statute and regulations. The review and approval process also gives management insight into recurring problems, facilitates sharing of best practices among negotiators, and promotes consistency in dealing with contractors.

b. Prenegotiation objectives are subject to the following review and approval requirements. If any of the reviewing/approving positions identified below are vacant or nonexistent because of an office's special or unique organization, the next level of management will serve as the reviewing/approving official. CAO management may reduce--but not increase without prior express approval from headquarters--the dollar value thresholds below.

(1) ACO: When the prenegotiation objectives are prepared by other than the ACO, the ACO may approve such objectives under \$500,000. However, when the ACO has developed the objectives, the ACO's supervisor will approve the objectives. The ACO will review and forward for approval objectives of \$500,000 or more that are prepared by other than the ACO.

(2) Team Leader (first level supervisor): Approves all prenegotiation objectives prepared by the ACO under \$1,000,000. Approves prenegotiation objectives prepared by other than the ACO (those for which the ACO has recommended approval) of \$500,000 or more but less than \$1,000,000. Reviews and forwards for approval prenegotiation objectives of \$1,000,000 or more.

(3) Group Leader (second level supervisor): Approves prenegotiation objectives of \$1,000,000 or more.

c. Review by legal and other specialists will be performed as considered necessary by the approving official. (The negotiator should obtain legal and other guidance as appropriate prior to submitting the memorandum for approval).

d. Guidance on any issue may be sought from district or headquarters staff whenever appropriate.

e. A concurrent review and approval approach is recommended for prenegotiation objectives that require several levels of review/approval (e.g., acquisitions expected to exceed \$1,000,000). This approach involves having all in

the review and approval chain, including legal and technical specialists and managers as appropriate, review the memorandum together with the negotiator present. (In some cases, personnel from other CAOs may be requested to participate). This approach minimizes rework and provides for consistent management direction. CAOs may develop local policies and procedures as necessary to implement this methodology.

\* \* \* \* \*

6. RECEIVE APPROVAL OF PRICE NEGOTIATION MEMORANDUM (PNM)  
Review and approval of the PNM shall be carried out in accordance with paragraph C.4. above. Review of the draft contract document is an integral part of PNM approval.

\* \* \* \* \*